

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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P R 060830Z JAN 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 4251

INFO MTN GENEVA 161

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMCONSUL HONG KONG

AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: ETRD MTN SN

SUBJECT: TROPICAL PRODUCTS NEGOTIATIONS - SINGAPORE

REF: A. STATE 28711

B. MTN GENEVA 8997

C. SINGAPORE 3925

D. STATE A-205 DTD 5/21/75

SUMMARY. THIS MESSAGE OUTLINES POST VIEWS ON SPECIFIC CONTRIBUTIONS US MIGHT SEEK FROM SINGAPORE IN SUBJECT NEGOTIATIONS. IT IS ALSO OFFERED AS ADDITIONAL GENERAL BACKGROUND FOR SUBSEQUENT US/SINGAPORE MTN NEGOTIATIONS. END SUMMARY.

1. IMPACT OF SINGAPORE TARIFF STRUCTURE ON US PRODUCTS.

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A TOTAL OF SOME 188 ITEMS ARE CURRENTLY SUBJECT TO SINGAPORE CUSTOMS DUTY. DUTIES ON APPROXIMATELY HALF THESE ITEMS ARE LEVIED PRIMARILY FOR REVENUE PURPOSES. THREE ITEMS--PETROLEUM, TOBACCO, AND LIQUOR--ACCOUNTED FOR SLIGHTLY OVER 2/3 OF TOTAL 1974 IMPORT DUTIES COLLECTED.

2. SOME 97 DUTIABLE ITEMS ARE CLASSIFIED AS "PROTECTIVE" PRODUCTS, I.E., PRODUCTS DUTIABLE BECAUSE MANUFACTURED IN WHOLE OR IN PART IN SINGAPORE. AMONG THESE ARE SUCH ITEMS AS TELEVISION SETS, REFRIGERATORS, IRON AND STEEL SCREWS, PVC RESINS, FLOURESCENT TUBES, AND FROZEN CHICKEN.

3. BELOW IS A LIST OF US PRODUCTS MOST AFFECTED BY SINGAPORE DUTIES. DUTY RATE IS AD VALOREM, WHERE NOT OTHERWISE SPECIFIED (US\$1 EQUALS S\$2.40&:

PRODUCT	DUTY RATE
UNMANUFACTURED TOBACCO	S\$29.10 PER KG
CIGARETTES, COSMETICS AND TOILETRIES	20 PERCENT
UNDERGARMENTS, OUTER GARMENTS, AND SHIRTS	15 PERCENT
AIR CONDITIONERS FOR MOTOR VEHICLES	25 PERCENT
AIR CONDITIONERS	40 PERCENT OR S\$250 PER UNIT
REFRIGERATORS, DOMESTIC, ELECTRICAL	S\$245-S\$490 PER UNIT
MOTOR VEHICLES FOR TRANSPORT OF GOODS (NEW) -	20 PERCENT
COMPLETELY BUILT UP	30 PERCENT
BODIES FOR PASSENGER MOTOR VEHICLES	30 PERCENT
BODIES FOR BUSES AND GOODS MOTOR VEHICLES	20 PERCENT
FURNITURE, EXCLUDING FOR MEDICAL USE	20 PERCENT
MATTRESS AND CUSHIONS OF FOAM RUBBER	35 PERCENT
MATTRESSES WITH INNER SPRINGS, OTHER MATTRESSES, AND CUSHIONS	20 PERCENT

4. OF ABOVE ITEMS, ITEMS, TRADE STATISTICS INDICATE THAT LIMITED OFFICIAL USE

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US SALES OF TOBACCO, SHIRTS, LARGE ELECTRIC REFRIGERATORS AND TOILETRIES COULD SHOW SOME IMPROVEMENT IF SINGAPORE TARIFFS ON THESE ITEMS WERE REDUCED. OTHER ITEMS ON LIST ARE EITHER A) "QUALITY" ITEMS WITH LIMITED MARKET AND LITTLE PRICE ELASTICITY (E.G. PERFUMES), B) ITEMS WHICH FOR REASONS OF SPECIFICATIONS OR STANDARDS US COMPANIES DID NOT MANUFACTURE FOR THE SINGAPORE MARKET (E.G., TELEVISION SETS AND AUTOMOBILES), OR C) ITEMS WHERE TARIFF REDUCTIONS WOULD PRO-

BABLY BE OF GREATER BENEFIT TO THIRD COUNTRY COMPETITORS
THAN TO US MANUFACTURERS (E.G., FURNITURE).

5. UPLIFT. IT SHOULD BE STRESSED THAT IN SINGAPORE'S CASE
TARIFF ELIMINATION ON TWO OR THREE ITEMS IS LIKELY TO BE MORE
MEANINFFUL THAN ACROSS-THE-BOARD TARIFF REDUCTIONS. THIS IS
BECAUSE SINGAPORE FREQUENTLY WILL RAISE ("UPLIFT") THE CUS-
TOMS VALUATION OF AN IMPORTED ITEM BEFORE APPLYING DUTY.
UPLIFT IS NOT PECULIAR TO SINGAPORE. SINGAPORE IS A SIGNATORY
OF THE BRUSSELS CONVENTION OF VALUES, WHICH IS BASED ON
THE CONCEPT OF "VALUE OF DUTY". THIS IS QUITE DIFFERENT
FROM INVOICED VALKD. THE APPLICATION OF UPLIFT BRINGS THE
INVOICED VALUE UP TO A VALUE FOR DUTY. THIS IS DEFINED FOR
CUSTOMS PURPOSES AS THE NORMAL PRICE GOODS WILL FETCH AT TIME
OF IMPORT IN AN OPEN MARKET. UPLIFT IS NOT DEPENDENT ON THE
NATURE OF COMMODITY BEING IMPORTED, BUT ON THE RELATIONS BE-
TWEEN THE FOREIGN SUPPLIER AND THE SINGAPORE PURCHASER. THE
THEORY IS THAT IF THE PURCHASER MAKES A SUBSTANTIAL COMMITMENT
TO THE SUPPLIER (E. G., ADVERTISING, AFTER-SALES SERVICES,
DISPLAY ROOM), THE SUPPLIER CAN CHARGE LESS. "UPLIFT" UP-VALUES
THE INVOICE PRICE TO THE LEVEL CUSTOMS JUDGES THE GOODS WOULD
FETCH IN SINGAPORE MARKET IN ABSENCE OF A DISTRIBUTOR COMMIT-
MENT.

6. AN EXAMPLE WILL ILLUSTRATE: AN AMERICAN ROOM AIR CONDI-
TIONER HAS A UNIT PRICE CIF SINGAPORE OF US\$800. BECAUSE OF
DEALER COMMITMENT, A 30 PERCENT UPLIFT IS APPLIED,
RESULTING IN VALUATION FOR DUTY OF US\$1040. APPLI-
CATION OF 40 PERCENT CUSTOMS DUTY TO THIS LATTER FIGURE
GIVES TOTAL DUTY PAYABLE BY IMPORTER OF US\$416. PRACTICAL
RESULT OF UPLIFT IN THIS CASE IS AN EFFECTIVE TARIFF OF 52
PERCENT.

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7. IN SINGAPORE, UPLIFT CAN BE APPLIED TO EVERY PRODUCT
SUBJECT TO AD VALOREM DUTY. FOR THIS REASON, TOTAL
ELIMINATION OF A TARIFF OF 5 PERCENT ON ONE ITEM MAY BE MORE
HELPFUL TO A SUS EXPORTER THAN A TARIFF REDUCTION FROM
15 PERCENT TO 5 PERCENT ON ANOTHER ITEM.
HOLDRIDGE

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INFO OCT-01 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

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P R 060830Z JAN 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 4252

INFO MTN GENEVA 162

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8. TROPICAL PRODUCTS. AS POINTED OUT IN REF C, SINGAPORE ITSELF IS NOT A SIGNIFICANT PRIMARY PRODUCER OF TROPICAL PRODUCTS. HOWEVER, SINGAPORE BENEFITS IN MANY WAYS FROM TRADE IN AND PROCESSING OF SUCH ITEMS. MOREOVER, IT WILL SUPPORT EFFORTS OF ITS ASEAN NEIGHBORS TO GAIN TROPICAL PRODUCT CONCESSIONS EVEN IF DIRECT BENEFIT TO SINGAPORE IS MINIMAL. OF PARTICULAR INTEREST TO SINGAPORE AMONG ITEMS ON ITS REQUEST LIST (REF D) ARE: WOOD PRODUCTS (PLYWOOD, SAWN HARDWOOD), CANNED PINEAPPLES, BLACK AND WHITE PEPPER, AND TO A LESSER EXTENT, COCONUT OIL AND NUTMEG.

9. IF ANY OF THESE ITEMS ARE ON LIST OF 100 PLUS PRODUCTS THAT US WILL BE NEGOTIATING, THEN QUID PRO QUO OF ELIMINATION OF TARIFFS ON US PRODUCTS LISTED PARA 4 ABOVE COULD BE SOUGHT.
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HOWEVER, GOS WOULD PROBABLY NOT BE VERY RECEPTIVE TO SUCH AN APPROACH BECAUSE: A) ITS TRADE POLICY IS ALREADY EXTREMELY LIBERAL, AND THE GOS WOULD CONTEND MORE LIBERAL THEN THAT WHICH

THE USG EXTENDS TO IT. ALSO, IT SHOULD NOT BE FORGOTTEN THAT THE MAJOR US MARKET HERE IS NOT FOR CONSUMER ITEMS, WHICH ARE GENERALLY DUTIABLE, BUT FOR CAPITAL GOODS, WHICH ENTER SINGAPORE DUTY-FREE. THE PERCENTAGE OF ALL US IMPORTS SUBJECT TO DUTY IS VERY SMALL. B) SINGAPORE HISTORICALLY RUNS A HUGE TRADE DEFICIT (EQUIVALENT IN 1974 TO ONE-HALF OF GNP), AND WILL NOT WANT TO RISK INCREASING THAT DEFICIT BY LIBERALIZING COSTLY CONSUMER ITEMS.

C) SINGAPORE'S PURITAN ETHIC AND CONCERN WITH ITS YOUNGER GENERATION GOING "SOFT" ADD UP TO LITTLE SYMPATHY FOR REDUCING TARIFFS ON CONSUMER GOODS. D) ALTHOUGH IMPORT DUTY COLLECTED IS A RELATIVELY SMALL PORTION OF TOTAL TAX REVENUE (LESS THAN 14 PERCENT IN 1974), GOS WILL BE MOST RELUCTANT TO GIVE UP ANY OF THIS. IN SINGAPORE 1977 IS AN ELECTION YEAR; EXISTING REVENUE FOREGONE COULD NOT EASILY BE MADE UP ELSEWHERE.

E) SINGAPORE MAY ARGUE THAT IT WILL HAVE TO MAKE FURTHER CONCESSIONS WITHIN ASEAN IF ANY PROGRESS IS TO BE MADE TOWARD REGIONAL TRADE LIBERALIZATION. F) FINALLY, US CONCESSIONS ON TROPICAL PRODUCTS IN THE LONG RUN JUST AREN'T WORTH THAT MUCH TO SINGAPORE. THE TREND INCREASINGLY IS TOWARD PROCESSING OF TROPICAL PRODUCTS BY AND IN THE PRODUCER COUNTRIES THEMSELVES. US CONCESSIONS ON DUTIES APPLIED TO MANUFACTURED GOODS ARE WHAT SINGAPORE IS REALLY INTERESTED IN.

10. CONCLUSION. EMBASSY'S GENERAL VIEW IS THAT THE UNITED STATES SHOULD NOT EXPECT SIGNIFICANT CONTRIBUTIONS FROM SINGAPORE IN SUBJECT NEGOTIATIONS. WHILE NOT TOTALLY SUBSCRIBING TO THE COMMENT OF SINGAPORE'S MTN DELEGATE THAT SINGAPORE' TARIFF AND NTB REGIMES ARE "SHINING EXAMPLES TO FOLLOW" (REF B, PARA 2), FACT IS THAT SINGAPORE TRADE STRUCTURE PRESENTLY PRESENTS FEW OBSTACLES TO IMPORTS OF AMERICAN PRODUCTS. THOSE THAT DO EXIST CAN PROBABLY BE MORE EFFECTIVELY ADDRESSED IN SUBSEQUENT NEGOTIATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TRADE CONTROLS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SINGAP00049
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760004-0655
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760183/aaaacvpk.tel
Line Count: 258
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 28711
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2004 by izenbei0>; APPROVED <15 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TROPICAL PRODUCTS NEGOTIATIONS - SINGAPORE
TAGS: ETRD, SN, US, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006